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SUBJECT: METI RELEASES STRATEGY TO LEVERAGE ODA, RESOURCE DIPLOMACY
FOR RARE METALS

REF: TOKYO 241

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1. (U) SUMMARY: Japan should augment its use of official development assistance (ODA) to secure supplies of strategically important rare metals, according to a strategy released July 28 by the Ministry of Economy, Trade and Industry (METI). In particular, the plan highlights a need for greater cooperation with Vietnam, a source of several key materials for Japanese industry. The METI strategy program tracks with ongoing Japanese concerns over access to natural resources and presents the most explicit link to date between development assistance and resource security. END SUMMARY.

A COMPREHENSIVE APPROACH

2. (U) A METI-led panel of experts from government, industry, and academia released a proposed comprehensive strategy June 3 to employ various GOJ development assistance organs to strengthen Japan's ability to secure rare metals in the face of rising global demand. After several months of deliberation, METI senior officials adopted the program July 28. (Note: The term rare metals typically refers to thirty-one non-ferrous metal elements that are economically or technologically difficult to extract in pure form and are used in several high value-added industrial applications. Liquid crystal displays, cellular phones, IT products, and several emerging technologies, including hybrid electric vehicle motors, storage batteries, solar panels, high efficiency lighting, and fuel cells are among the industrial applications for such elements. End note.)

3. (U) The strategy calls for the Japan International Cooperation Agency (JICA) and the Japan Oil, Gas and Metals Exploration Corporation (JOGMEC) to provide technical assistance and build human resource capacity, while project finance institutions such as the Japan Bank for International Cooperation (JBIC) and Nippon Export Insurance (NEXI) will finance infrastructure projects in resource-abundant developing countries. In addition, METI's FY09 budget includes JPY525 million for feasibility studies of infrastructure development projects surrounding mines and oil and gas fields. METI solicited bids for projects throughout May 2009, and will soon announce the selection of six projects. (Note: Reftel provides additional information on the JOGMEC's budget and strategic priorities. End note).

VIETNAM'S DONG PAO AS MODEL

4. (U) As an example of the effectiveness of such an approach, the METI panel cited the Dong Pao rare earth mining development project in Vietnam. A JOGMEC and JICA-funded joint venture with the Vietnamese state-owned mining company VIMICO first confirmed rare

earth deposits in northwest Vietnam in 2001. As the project moved toward commercial extraction, Japanese trading companies Toyota Tsusho and Sojitsu, as well as several Chinese entities expressed interest in competing for the project.

¶15. (U) METI announced funding for a feasibility study to improve infrastructure related to the project at a Japan-Vietnam Metal Policy Dialogue in January 2009. The president of the Vietnam National Coal and Mineral Industries Group (VINACOMIN) reportedly agreed on the spot to jointly develop the project with the two Japanese companies. The entities signed a memorandum of understanding in April 2009.

EXPANDED RECYCLING, STOCKPILING, DEEP-WATER EXTRACTION

¶16. (U) In addition to resource diplomacy, the strategy advocates obtaining rare metals from recycled components using nano-technology and other innovative technologies to develop alternative materials, and expanding Japan's stockpile of rare metals. Notably, the strategy calls for adding indium and gallium to the seven metals JOGMEC currently stockpiles and increasing the amount of cobalt, tungsten, and vanadium. Raising the stockpile target to 60 days of supply from the current 42 days is another major component of the July 28 strategy. The program also incorporates a JOGMEC-led effort to develop sea-floor deposits in Japan's Exclusive Economic Zone to increase self-sufficiency. METI's FY2009 budget earmarks around 500 million yen to research extraction of deep-sea resources with an aim to start commercial mining in 2018.

¶17. (SBU) While Japan has been developing a comprehensive rare metal acquisition plan since at least 2007, a METI official told embaff

the latest strategy lays out the most concrete measures to date. Beyond making the link between targeted ODA and resource security more explicit, the panel recommendation also offers useful insight into METI's view of key strategic industries. For example, according to METI statistics, Japan consumes 60% of the global production of indium, an element used to manufacture liquid crystal displays. Japan also leads global consumption of cobalt, a key element in the manufacture of lithium-ion batteries. Gallium is an input for lower-energy light emitting diodes. The strategy suggests countries with large deposits of these and other strategic metals will continue to be large targets of Japan's ODA policy.

EXPANDED DIALOGUE WITH CHINA

¶18. (U) The strategy also highlights ongoing coordination with China on rare metal acquisition strategies. Chinese and Japanese public and private sector officials have had regular exchanges on rare metals strategy since 1988, primarily to exchange information about the supply and demand situation. However, the most recent meeting in April 2009 was more comprehensive, discussing trade, investment, environment and technology policies. Japan and China agreed (1) to hold regular meetings to enhance public and private sector exchange, (2) METI and China's National Development and Reform Commission will meet annually to consult on rare metals strategy, and (3) the agenda should include not only rare earth development, but also trade, investment, environment and technology.

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